

Drawer 3 R: Notes on visit to the Black Hills Central of Hill City,
South Dakota, owned by Mr. Bill Heckman of Hill City.
Nov. 14 and 15, 1970: Lowe Ashton and Ed McLaughlin

GENERAL STATEMENT:

Mr Heckman was an advertising man and public relations man out of the Chicago area. He wrote some articles about the fact that the steam engine and its heritage ~~shold~~ be preserved, and when everyone kept after him to do it, he finally did. He traveled around the country, looking for the best site, he looked at nine locations in seven western states, including Heber Valley, about fifteen years ago. He could have purchased the Durango-Silverton line for \$200,000.00, the deal was set up at \$100,000.00 but they doubled the price and he got mad. (It would have been a good deal at \$200,000.00)

He finally chose the Black Hills line between Hill City and Keystone South Dakota, because it was so close to a major tourist attraction, the National Monument at Mt. Rushmore. If you go to the Monument from either the North, the most common way I would assume, out of the Rapid City area on a four lane highway to within four miles of the monument, the East or West, you almost have to go through at least one of the two towns where the terminals are for the scenic railroad. Hill City is 12 miles from the monument, and Keystone is four miles. Hill City is the home terminal, because of room and station and roundhouse. Keystone is in a very narrow canyon, and is just one street wide. Tourist oriented businesses are on both sides of the canyon, and there isn't any room for anything else. Its very restrictive to traffic. There is a "Y" track at both ends of his line for a turnaround, although he has recently shipped in a turntable, possibly to speed up the operation of turning, or perhaps for an added tourist interest.

TERRAIN:

The existing line is ~~ten~~ miles long, BEHIND Mt. Rushmore, in what is primarily

a narrow canyon, covered with pine trees and lush grass. However there is not the variety in scenery like our proposed line would have. He has a 4% grade, which is one of his most limiting factors. With his engines, he can only haul four passenger cars at a time, and if he were to double head (use two engines) he could only probably add one, maybe two cars, and the total cost would be prohibitive. He uses the old Burlington station for his headquarters and concessions stand, and runs a restaurant during the summer a few blocks from his depot. The old station is far more picturesque than ours, but he doesn't like it. The restaurant apparently adds around \$5,000.00 net profit to his total operation a year, and operates on a seasonal basis only, I think.

EQUIPMENT

His first Engine was his "Yukon Engine, an outside frame 282 narrow gauge Mikado type, probably of around 1920 vintage, about a 70 ton, very good engine, but consumes around 900 gallons of fuel a day. It isn't a classical antique of the 1880's but has been dolled up.

His number one running engine is a #7, 2-6-2, Baldwin 1919, ex-Prescott & Northwestern (from "Steam Service Directory") about a 65 tone size, Ed thinks he got it from an Arkansas Timber company, very typical of many steam engines, much like our own 618 in design, but nowhere near as big. (asset or liability to us??)

The Passenger cars are mostly original as far as design goes, he has cut cars down to make them about 1/2 open, 1/2 closed. He wants as much open as possible, but because of the extreme hailstorms his country is subject to, he has to provide some type of cover. Several old Burlington cabooses are there, and he won't let them go. (We should try and find some more if possible) Old army hospital cars are available, but they

don't match his decor, and could probably be purchased cheaply.

Mr. Heckman has done a masterfull job of tayloring his equipment to look like his theme of an 1880 train, at least to my inexperienced eye. Ed probably thought it was "Hoaky". But the customer is king at Mr. Heckman's. All cars are wood to fit the period, and because they are lighter than steel. He claims no problems with wood, crawls under them about every other year to tighten the bolts. Mr. Heckman has around 7 or 8 engines, plans to sell a couple. He has many many cars, passenger, hospital, caboses, in various stages of repair and restoration, and apparently he does his own work. However, some of the cars have been redone by the Walt Disney and Gunsmoke people. His one engine that is used most has a new flaring smoke stack and a big square light that Ed said was "Hoaky". Mr. Heckman agreed, but said that the Disney people wanted it that way. How that it is, he finds the customer likes it, and he is going to leave it "Hoaky". Looked great to me.

LOGISTIC SUPPORT:

For the first eight years, he had nothing. Worked out in the open under the stars. Since it is a summer time operation, this is entirely feasible if the lack of money dictates this type of start. Compared to ours, I would think the weather would be very simular. Possibly slightly lower in elevation, but since it is several hyndred miles farther north, it probably has actually a shorter warm season than ours. (see operation) Now there is a 40' x 80' xy perhaps 24' high Metal building that cost him \$4600.00 prefab, and he had to errect. He has a concrete floor and small pit. Two sets of track so that two engines can get in the shed at the same time. There is a chimney built into the roof so that the engine canbe kept fired all night. He has a great amount of steam engine parts all around. He says he needs an outside pit to allow him to take wheels off and swing the wheels around to a truck with a crane.

LOGISTIC SUPPORT (cont)

He has a yard full of passing track, probably more than he needs because of the narrow guage operation. Large parking lot, but not in too good shape. Probably capable of holding around 100 cars or more. He has a 3000 gallon water tank, made of a galvanized tank on a stand, with the roof of an old church steeple on top. It is too small, he fills his engines by running a hose in the water tank all night, uses the water tower to "top off" the engine just as they start, primerly for the tourist interest. (I would think he trys to add a bit of water at the beginning of each run) He says that after going full blast all day, he is almost bone dry at the end. (Ed says this is rather dangerous to get low on water)

Fuel Storage: All engines are oil burning, has a 10,000 gallon tank, buys No. 5 residual, cut with some type of diesel (my notes says 65% residual but check this check this He paidnts the tanks BLACK to absorb heat, so that he doesn't have to use any additional heat (he has heating coils in the tank) to kepp the fuel liqued. We talked about using crude, he said it was too danngerous for fear of geting some of that highly volital casing head gas off the crude which would blow the engines. Talked about using Crankcase Oil, he thought this might be a great fuel if we could get an adequate supply. I think we can get all we want. He suggested I check with the Petroleum Institute for a BTU Rating and burnability. I think the only thing I need is a old iron tank wagon to haul it in, a good theft pump system, and a contract with all the large service stations in Salt Lake to get the stuff. He pays around 9 cents a gallon, I estimate we can supply this to the railroad for around 4½ to 5 and make good money for the oil company.

Repair Work: He doesn't believe in having big investment in machineing. He has a small lathe, but has all major work done outside. Takes the part out to be fixed. DEFINITELY RECOMMENDS THAT WE DO THE SAME. He feels that we have a lot of good repair places in the Ogden, Salt Lake, and Provo area, and that we should not waste our money trying to duplicate facilities

LOGISTIC SUPPORT (Cont)

already in exhistance. The ability to employ competent men is too hard to justify the effort.

Water: He says he has a good qulity water (It was hard as hell to me in the motel) Suggests that we contact the Dearborn Chemical Company to work out our water problem. (Ed has a man who is in charge of the Boilers system for the L.D.S church that can solve this for us) H's trainyard maintenance was excellent. Oil fired engines can have a lot of spillage, and the area around the servicing points can be oily, slick and messy. Ed commented on how neat is was, Mr. Heckman stated it could be a lot better, obviously a man who demands neatness. (Remember this)

CORPORATE STRUCTURE:

Mr. Heckman started with a Charter like an old exhisting Railroad, and has everything in his charter. Suggests that we get ahold of some old Utah Railroad Charters and copy it. He mentined the Tooele Valley Railroad. He even has in his charter the POWER OF EMINITE DOMAIN. He also has the right to run bus lines, trolley car lines, cable car lines, everything and anything, fastastic scope, this is hairy, but I guess we could try.

He floated a Stock Issue, all common and Voting, 1/2 Class A and 1/2 Class B, which is the promotional Stock (I don't understand the difference check this) He used as the basis for his stock issue for the formation of his company, his equipment purchased, his insurance contract (see Insurance) and his franchise to do business on the Burlington line.

The public bought the Class B at 10 cents per share. They were offered 30,000 shares of Class A at \$5.00 Par. He sold \$128,500.00 worth of stock to 123 stock holders, he now has around 150. He sold later a block of stock for

CORPORATE STRUCTURE (Con't)

\$50,000.00 (my notes say to one single stock holder, this may be wrong)

check this QUESTION: DID HE USE AN UNDERWRITER FOR THE INITIAL STOCK OFFER (check this)
With the \$128,000.00, plus all the personal money he had, (he has sold everything, including his home) He spent the money as follows : \$80,000.00 for laying a third track on the exhistng right of way for narrow guage operation. \$15,000.00 was spent on the Yukon Engine, and \$6,000.00 for five cars. Of course some money was spent on fixing up equipment, and a considerable amount for start up. He did have some heavy equipment Mortgages, (didn't say how much to start) his mortgages are now down to about \$13,000.00 He has coninuous periods of loss, however the last several years have been run at a profit, and he will pay his first dividend this year. He ~~had~~ consistantly maintained the price of his class A stock at \$5.00. It is now unavailable, and he will not sell any of his. He calculates his holdings in the railroad as being worth around \$700,000.00 now. (this may be his calculation of company net worth, I am not sure of my notes)

INSURANCE

Mr. Heckman states this was his most serious problem, it took him 7 years to get in insurance contract. The first year it cost him \$22,000.00, then he got it down to around \$12,000.00. Since his record has been so good, he admitted that it was now down below \$10,000.00 (my notes indicate it could be as low as \$8,000.00) He said no matter what we try, the best place for this insurance is the Fireman Fund in San Francisco, and the actual carrier will be Lloyds of London. Because of his efforts and the fact that there are many scenic steam railroads in operation now, we should have an easier time of it. One qualification on our agreement with the state Park (or highway) will be a clause to hold State Park harmless

OPERATIONS

This year, Mr. Heckman operated a 73 day season, for the first weekend in June to the last weekend in August (doesn't even stay open for Labor Day weekend normally) Because that is the only time the people are in the Black Hills. They are approximetly 1200 miles from the primary source of tourist population centers in the Midwest. The rainy season in South Dakota is April May and the first part of June, and they have wet cold springs, so the people just don't come until in late June, and even then, June is not as good as July and August, and they are gone by the last weekend in August. He has no local population to justify special weekend trains, but a movie industry is springing up for his trains, he had two episodes of "Gun Smoke" filmed there and Walt Disney has used his facilities and intend to come back. Mt. Rushmore is 12 miles away, he calculates that approximetly four percent of the people who visit the monument ride his train. Lead and Deadwood are 44 miles away, the Passion Play is 63 miles away (Mr. Heckman rates these as the other primary tourist attractions in the Black Hills).

WAGES

Mr. Heckman is operating on an exhistng Burlington line, and has to use Burlington crews, they are all hired out of Alliance Nebraska, and it takes them two days (for wage calculation) to get to Hill City. His wage cost per union person is astronomical. Example: August : Conductor and Breakman earned \$2,625.00, (paid on an hourly rate. The Engineer and fireman, paid on the basis of so much per 100 miles earned \$2,495.00, plus Mr. Heckman had to absorm a charge from the railroad, calculated to cover their costs of handeling these men, including fringe benefits, union dues, ect. which amounted to an additional charge of 27.95%, making these four men earn in excess of \$6,550.00 for that month. In addition, Mr. Heckman has to hire

WAGES (continued)

an Agent-operator, at \$3.3328 per hour plus \$3.9992 for overtime, plus the railroad factor charge for fringes and costs which in the case of this man, amounts to 32.72% In addition to all this, he is responsible for personal expenses, which amount to food and lodging primarily, for the Month of August amounted to: Train Crew: \$223.10, Engineer and Fireman, \$256.00, and agent-operator \$156.00, total \$665.84. Therefore, his total train crew for August cost him over \$8900.00 for five men. Remember, however, he does not have any insurance, or fringe benefits, or F.I.C.A. on these men that we must calculate.

Mr. Heckman, then, has a four man train crew, and usually has two girls on board, acting as "stewardesses". He has them much like an airline, to welcome people aboard, find them seats, take care of babies for momas, help elderly people, smile, and make people feel welcome. He also has the "missionaries" (see under advertising) and concessioners, ticket takers and maintenance crew. He mentioned about a payroll of around 40 people for his summer business. He said we must have a full time secretary working all summer, and at least one day a week year around (We could handle the offseason through our exhistng companies) We did not cover the number of yard and maintenance personell he had. We do know he had at least one who he is losing to Hawaii, but we know had had several more. Remember, Check this he is NOT resposnible for Track Maintenance. (Note, check number of yard and maintenance people he feels he needs). He stated that his Train crews cost him in excess of \$20,000.00 for the 73 day season. We did not get a tbtal wage cost, for the entire operation, however, with the figures on advertising couln come close, I think. Mr. Heckman did mention the possibility of jointly having some men that could work for both of us, and we should remember this for future.

ADVERTISING

According to Mr. Heckman, this is the heart of the business, (I agree) although, I do believe his dedication to appearance and image to the extent that he could afford, has a great deal to do with it. I don't think anyone comes away muttering "What a schloky outfit, not worth it".

However, this apparent image may have been a long time coming, and he have have started on a "poorboy" basis, and have improved as he was

check this financially able. (note check this did he start out rough, or was the financial ability adequate to present the image as we see it now all the time). He spends around \$15,000.00 to \$20,000.00, primarily by printing a lot of brochures, (our Tourist Council policy can be great on this)

going rather heavily on billboards on the incoming roads, and hiring a bunch of "Missionaries" to take these brochures and passout literature to all the tourist motels, hotels, travel information centers, ect. in a

check this 500 mile radius (check this distance) My notes indicate that he had

check this around 4 (check this number). He used relatively new cards, and spends a great deal of time choosing the proper person.. He did not go after

Beauty Queens, nor necessarily really young things, but the type of person that is extremely personably, able to converse, and say, in

essence, "we people at the Black Hills Central are just common folks

like you". He stressed the importance of choosing the proper image

projection person very strongly. He says he hires them and trains them

and puts them in the field around two weeks prior to the opening. They

are to hit all the places at least every two weeks, making note of the

frequency of use, and if necessary, going to those places that use the brochures and handout material fast, more often.

check this I did not make any notes on his use of radio (check this)

ADVERTISING (Con't)

He stated that his biggest mistake in his whole operation was that he overestimated the number of people he would attract in relation to the traffic at the monument. So, he says the "PEOPLE HAVE TO BE PRE SOLD ON THE RAILROAD". hence the stress on advertising. BROCHURES are the most important expenditure other than people.

GROWTH AND DOLLAR VOLUME FACTORS:

Mr. Heckman has been in operation for 14 years, at the time of his beginning, Mt. Rushmore attracted something like 600,000 visitors. In the 1970 season, this had risen to 1,875,000 visitors. His volume has had a yearly average increase of 14% per year until 1968. In 1968 he had a 21% increase. In 1969 this dropped to a 7% increase, and he thought that they were at capacity, and that it would require a change in the basic living habits of the people to give him more than the dollar volume of 1969. (I assume this change in basic living habits mean staggered weekends, down to a four day work week for the majority of people ect). But, in 1970, he had a "perfect" season. The weather was great during his entire season. He had two Gunsmoke episodes filmed there, with Matt Dillon, a Walt Disney sequence, ~~not~~ no mechanical difficulties, a slight raise in fares, and therefore he had a 35% increase in dollar volume of 1970 over 1969. He hauled 52,000 people in 1969 and 65,000 people in 1970, but his dollar volume increased 35% because of some basic changes in their fare philosophy as well as the factors mentioned above. His adult fare in 1969 was \$2.95, his children was \$1.50. In 1970, he changed this to \$3.00 for adults, \$2.00 for children. Children are discribed as between six and twelve. Children under six have always

GROWTH AND DOLLAR VOLUME FACTORS (Con't)

ridden free, but an important change was to limit the number of free children to one child per two paying adults. This stops the "Aunt Mary" type from rounding up all the little "nephews and nieces" under six for a free ride on the train. He sells a 20 mile round trip ticket, except for the last run home from Keystone which is one way. These basic changes raised the total volume to exceed \$200,000.00/ Since he mentioned that his operational expenses ran \$120,000.00, I would therefore assume his profit was something around \$80,000.00, however, he did not say

Call him → whether or not the \$120,000.00 was total expense or operational expense, (it would be nice if we knew) or if he had to add depreciation and other expenses of a fixed nature to this. He did say he had used up all the tax credits from the starting years, and this year would have to pay federal income taxes, so this is obviously not the first profit year, but has been operating on a profit for the last few years. Also, he does have some fixed indebtedness to pay off, (around \$13,000.00 left), and is in the process of buying new equipment, cars ect. (might need to rebuild a depreciation base). Also, we must remember his comments about 1970 being the perfect year, with good weather, no major breakdowns, and income from movie and T. V. adding to the profit.

MISC. OPERATING FACTORS UNIQUE TO THE BLACK HILLS CENTRAL:

Since the Burlington owns the right of way and thusfar has not been able to get rid of it to Mr. Heckman, the cost for the use of the road amounts to \$1.00 per train mile, or about \$2200.00 per month. This is a good arrangement, I think, because they ~~have~~ (Burlington) have to do all main-

GROWTH AND DOLLAR VOLUME FACTORS (Con't)

tenence, and pay all taxes, which Mr. Heckman would otherwise have to absorb. However, if and when he does get ownership of this line, the increased cost of owning and maintaining his right of way should be offset by lower operating costs in the form of Union railroad train crew wages. Mr. Heckman says that his 85 ton engine burnes 700 gallons of fuel a day. He runs around 80 miles per day, and keeps the engine fired all night. The fuel consumption is based on the fire box and size of flues. The no. 282 Yukon engine burns 900 gallons per day, because the size of the fire box and size of flues.

Mr. Heckman, has had excellent communications with the political entities of the State of South Dakota, particularly the past govenor and the Tourist Council of South Dakota, which is under the HIGHWAY DEPARTMENT. Mrs.

check this D. J. Cline is director (NOTE: write a letter asking for information on the States opinion to the Balck Hills Centrals importance to the tourist traffic in South Dakota. (send copy to Mr. Heckman)

To find Mr. Bill Heckman, when he is not at home, call or write Mrs. Floia (?) Hoagland, phone 1-605-673-2233 (ask for Mr. Heckman)

RECOMMENDATIONS DISCUSSED WITH MR. HECKMAN IN OUR RELATIONSHIP TO THE STATE ON THE USE OF THEIR RIGHT OF WAY.

We explained the problem we have with the State Highway department owning the right of way, and our desire to get the right of way into the hands of the STATE PARK COMMISSION. He thought the plan feasible, and suggested as the basis of compensation to the State that we copy the formula used by the U.S. Forest Department, and pay them a yearly fee of a certain percent

RECOMMENDATIONS (Con't)

of the Gross Volume. The Forest Service charges 1% or 2% or 3%, depending on the need for maintenance and the mess created by the daily operation of the concessioner. Since we expect to handle a lot of people, I would think that a 3% would be fair. If we maintain the track both rail and tie for the State Park, their investment, if we failed, would be extremely nominal for the land once they sold off the rail and ties if they decide to abandon the concession.

We discussed the use of the Foundations equipment on the same type basis, and we also maintain the equipment, and except for the percent that the Foundation is entitled to, we agreed that this might be a good fair method of compensation.

MISC. COMMENTS ABOUT THE BLACK HILLS TRIP:

One disturbing item about the Black Hills general development as a whole, at least from the casual observance of a tourist, was the fantastic number of roadside businesses that have been allowed to develop along the highways, which are gradually destroying what is the essential value of the area, one of natural beauty. There are some that have been created with some degree of taste, the Black Hills Central, being, I think, an outstanding example, and one that is removed from the highway, and, more of an asset than a liability. But, even the well done ones that are along the highway, are detracting from the total proper image. Businesses like reptile farms, Marinas featuring seals and porpoises (of all things,)

MISC. COMMENTS (con't)

that have no relation to the history or culture of the area, are appearing in all too great a frequency, and apparently the State is not doing enough to stop it. I hope our State, County, and cities take note.

Conversation with the Rapid City Airport Concessioner: There are about an average daily use of this airport of around 1500, the year around. This peaks in July and August to around 3500 to 4000 per day. The concessioner confirmed Mr. Heckman's statement that the tourist season is very short, says that June is nowhere near as good as July. She said that many people come to the Black Hills for camping and fishing as well as to see the Mt. Rushmore monument and other tourist attractions, but that she felt she got as many inquiries about the scenic railroad as any other single tourist attraction other than Mt. Rushmore. She rated it the number two attraction for the area. This airport is served only by Frontier, Western, and the North Central, a small regional line limited to North and South Dakota, and into the Chicago and Kansas City areas. Car Rentals are National Hertz and Avis.